## **Auditing Procedures Report**

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Issued under Public Act 2 of 1968, as amended.

Unit Name Village of Fruitport	County Muskegon	Type Village	MuniCode 61-3-020
Opinion Date June 3, 2008		R3 2008 Fiscal Year M	arch 31, 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

## Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- $\sqrt{\chi}$  2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- $\overline{\mathbf{x}}$  4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- $\overline{\mathbf{x}}$  5. Did the local unit adopt a budget for all required funds?
- 京 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- $\Gamma \overline{x}$  9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- $\Gamma_{\mathbf{X}}$  13. Is the audit opinion unqualified?
- 14. If not, what type of opinion is it? NA
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies?

19. If so, was it attached to the audit report?

General Fund Revenue:	392,282
General Fund Expenditure:	371,059
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	397,748
Governmental Activities Long-Term Debt (see instructions):	-0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Calvin	Last Name Meeusen	Ten Digit Lice			
CPA Street Address 600 S. Beacon Blvd., Suite 1A	City Grand Haven	State MI	Zip Code 49417	Telephone (616)	846-6210
CPA Firm Name Calvin D. Meeusen, C.P.A., PLIC	Unit's Street 600 S. Beaco Address Blvd., Suite 1		Grand Haven		Zip Code 494 <b>17</b>

AUDITED FINANCIAL STATEMENTS

VILLAGE OF FRUITPORT, MICHIGAN

March 31, 2008

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#### Using this Management's Discussion and Analysis

This annual report is intended to supplement the Village's financial statements for fiscal year ending March 31, 2008. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

#### The Village as a Whole

The Village's total net assets are \$1,103,671 as of March 31, 2008. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 49.4% of that total. The current level of unrestricted net assets for our governmental activities stands at \$545,210 or about 101% of current year operating expenditures.

#### Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Village. The net assets may be used as an indicator of a government's financial health. As of March 31, 2008, the Village's net assets from governmental activities totaled \$1,103,671.

In examining the composition of these net assets, the reader should note that governmental activities net assets are heavily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Village of Fruitport Net Assets

		Governmental	
	2008 (audited)	Activities_	2007 (unaudited)
<u>Assets</u>			
Current and other assets	\$ 561,068		\$ 560,436
Capital assets, net of			
accumulated depreciation	<u>558,461</u>		592,995
Total	1,119,529		1,153,431
<u>Liabilities</u>			
Current	15,858		17,787
Noncurrent			
Total	15,858		17,787

Table 1 - Village of Fruitport Net Assets-Continued

		Governmental Activities	
	<u>2008</u>		2007
	(audited)		(unaudited)
Net Assets			
Capital Assets, Net of Debt	558,461		592,995
Unrestricted	545,210		542,649
Total net assets	\$ <u>1,103,671</u>		\$ <u>1,135,644</u>

The Village's net assets in the governmental activities continue to remain healthy. The Village has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 10 months.

#### **Governmental Activities**

Governmental activities decreased the Village's net assets by \$31,973. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis. The Village is working on needed road repairs as these are an ongoing expense. The Village is working on completing the upgrades to the fishing pier along with improvements to the Veterans Park on 3rd Avenue. A new seawall has been built to the end of 8th Avenue.

Table 2
Village of Fruitport Changes in Net Assets

		Governmental	
		Activities	
	2008	•	2007
	(audited)		(unaudited)
Revenues			
Program			
Charges for Services	\$ 61,311		\$ 61,897
General			•
Property taxes	163,635		151,028
State revenue sharing	201,978		199,344
Investment earnings	9,973		12,004
Miscellaneous	_72,559		160,176
Total	509,456		584,449

#### Village of Fruitport Changes in Net Assets-Continued

		Governmental	
	2008	<u>Activities</u>	2007
	(audited)		(unaudited)
Expenses			*
Legislative	12,998		12,766
General government	26,545		40,482
Public safety	1,864		2,162
Public works	438,080		393,620
Recreation and culture	52,259		65,883
Other	9,683		11,053
Total	541,429		_525,966
Increase(Decrease) in			
Net Assets	(31,973)		58,483
Net Assets -			
Beginning of Year	1,135,644		1,077,161
Net Assets -			
End of Year	\$ <u>1,103,671</u>		\$ <u>1,135,644</u>

#### The Village's Funds

An analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Village's major funds for 2007 include the General Fund, Major Streets and Local Streets.

The General Fund pays the Village's general operating expenditures. The Village's General Fund also helps to offset the cost of refurbishing major and local streets.

#### **General Fund Budgetary Highlights**

The Village Council did pass budget amendments to take into account events during the year ended March 31, 2008. Village expenditures overall stayed below budget, resulting in total expenditures of \$168,156 below budget. The General Fund's fund balance increased from \$376,255 a year ago to \$397,478 at March 31, 2008.

#### Capital Asset and Debt Administration

At March 31, 2008 the Village had \$558,461 (net of accumulated depreciation of \$340,009) invested in a broad range of capital assets including land, land improvements, buildings and machinery and equipment.

#### Economic Factors and Next Year's Budgets and Rates

The Village's budget for the next fiscal year projects property taxes to increase at the approximate rate of inflation from the current year. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state grants may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 18% of last year's expenditures. The Village has been able to maintain the same millage rate for the current and the past two preceding years.

#### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 865-3577.

#### CALVIN D. MEEUSEN, C.P.A., PLLC

# CALVIN D. MEEUSEN CERTIFIED PUBLIC ACCOUNTANT

600 S. BEACON BLVD., SUITE 1A • GRAND HAVEN, MI 49417-2178 (616) 846-6210 FAX (616) 846-5111

348 S. WAVERLY RD., SUITE 126 \* HOLLAND, MI 49424-8102 (616) 395-8477

#### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Village Council Village of Fruitport, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Fruitport, Michigan, as of and for the year ended March 31, 2008, which, collectively, comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the Village of Fruitport, as of March 31, 2008, and the respective changes in financial position where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fruitport, basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Whit Meusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC

Grand Haven, Michigan

June 3, 2008

## STATEMENT OF NET ASSETS

## March 31, 2008

	Governmental <u>Activities</u>
ASSETS	
Cash	\$ 492,753
Cash-restricted	5,638
Receivables	
Taxes	20,116
Accounts	11,874
Due from state	30,687
Capital assets, net	<u>558,461</u>
Total assets	1,119,529
LIABILITIES	
Accounts payable	7,198
Accrued liabilities	8,660
Total liabilities	<u>15,858</u>
NET ASSETS	
Invested in capital assets	
net of related debt	558,461
Unrestricted	_545,210
Total Net Assets	\$ <u>1,103,671</u>

The Notes to Financial Statements are an integral part of this statement.

#### STATEMENT OF ACTIVITIES

Year ended March 31, 2008

	Net (	Expense)	Re	venue	<u>and</u>	<u>Changes</u>	<u>in N</u>	et Asset	S
				_	_				

	Program	n Revenue	Primary Government
	Tiogram	Charges for	Governmental
	E	-	
	Expenses	services	activities
Primary Government			
Governmental activities			<b>.</b>
Legislative \$	12,998	\$ -	\$ (12,998)
General government	26,545	1,967	(24,578)
Public safety	1,864	7,945	6,081
Public works	438,080	51,399	(386,681)
Recreation and cultural	52,259	-	(52,259)
Other governmental			
functions	9,683	<u> </u>	(9,683)
		<del></del>	
Total primary			
Government \$_	541,429	\$ <u>61,311</u>	\$ <u>(480,118)</u>
General revenues			
Property taxes			163,635
State shared revenues			201,978
Investment earnings			9,973
Other			72,559
Total general revenue			
and special items			_448,145
und special froms			
Change in net assets	•		(31,973)
Change in het assets	•		(31,973)
Not assets at April 1 2007			1,135,644
Net assets at April 1, 2007			1,133,044
Net assets at March 31, 2008			<b>\$1,103,671</b>
1101 assets at March 31, 2008			$\Psi_{\underline{1},\underline{1},\underline{0},\underline{0},\underline{0},\underline{1}}$

## BALANCE SHEET GOVERNMENTAL FUNDS

March 31, 2008

ASSETS	General <u>Fund</u>	Major Street	Local Street	Total Governmental <u>Funds</u>
Cash	\$ 353,484	\$ 114,489 \$	24,780	\$ 492,753
Cash-restricted Receivables	5,638	-	-	5,638
Taxes	20,116	_		20 116
Accounts	11,874	-	-	20,116 11,874
Due from other funds	5,853	-	_	5,853
Due from state	13,273	12,455	4,959	30,687
Total Assets	\$ <u>410,238</u>	\$ <u>126,944</u> _	29,739	566,921
LIABILITIES AND FUND EQUITY Liabilities:				
Accounts payable	7,198	-	_	7,198
Due to other funds	-	4,379	1,474	5,853
Accrued liabilities	5,562	2,138	960	8,660
Total Liabilities	12,760	<u>6,517</u>	2,43 <u>4</u>	21,711
Fund Equity:				
Fund balance				
Undesignated	397,478	<u>120,</u> 427	27 205	5.45.01.0
· ·	327,170	120,427	27,305	_545,210
Total Fund Equity	397,478	120,427	<u>27,305</u>	_545,210
Total Liabilities and Fund Equity	\$ <u>410,238</u>	\$ <u>126,944</u> \$	<u> 29,739</u>	\$ <u>566,921</u>

# RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balance-governmental funds

\$ 545,210

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets Accumulated depreciation \$ 898,471

(340,010) 558,461

Net assets of governmental activities in the Statement of Net Assets

\$<u>1,103,671</u>

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## GOVERNMENTAL FUNDS Year ended March 31, 2008

				Total
	General	Major	Local	Governmental
	Fund	Street	Street	<u>Funds</u>
Revenues:				
Taxes	\$163,635	\$ -	\$ -	\$163,635
Licenses and permits	7,945	-	-	7,945
State shared revenues	92,557	78,221	31,200	201,978
Charges for services	53,367	-	-	53,367
Interest	7,168	2,338	467	9,973
Equipment rental	51,937	-	-	51,937
Other revenue	15,673	3,229	1,720	20,622
TOTAL REVENUES	392,282	83,788	33,387	509,457
Expenditures				
Current:				
Legislative	12,998	-	-	12,998
General government	24,296	-	-	24,296
Public safety	1,864	-	-	1,864
Public works	175,394	71,280	169,557	416,231
Other	9,683	-	-	9,683
Capital outlay	2,626	-	-	2,626
Recreation & cultural	39,198			39,198
TOTAL EXPENDITURES	266,059	71,280	169,557	506,896
EXCESS OF REVENUES				
OVER (UNDER)				
EXPENDITURES	126,223	12,508	(136,170)	2,561
Other financing sources (uses)				
Operating transfers in	-	-	105,000	105,000
Operating transfers out	<u>(105,000</u> )			(105,000)
Total other financing sources (uses)	<u>(105,000</u> )		105,000	
EXCESS OF REVENUES AT OTHER SOURCES OVER	ND			
(UNDER) EXPENDITURES				
AND OTHER USES	21,223	12,508	(31,170)	2,561
AND OTHER USES	21,223	12,500	(31,170)	2,301
Fund balance - April 1	<u>376,255</u>	107,919	<u>58,475</u>	542,649
Fund balance - March 31	\$397,478	\$ <u>120,427</u>	\$ <u>27,305</u>	\$ <u>545,210</u>
Culture Individual Di	722.1110	¥ <u> </u>	4	4 <u>0.10,210</u>

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

Net change in fund balances-total governmental funds:

\$ 2,561

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures in the Statement of Activities; these costs are depreciated over their estimated useful lives.

Depreciation expense Capital outlay \$ (37,159) 2,625

(34,534)

Change in net assets of governmental activities

\$\_(31,973)

#### NOTES TO FINANCIAL STATEMENTS

March 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Fruitport (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's policies are described below.

#### 1. Reporting Entity

The Village of Fruitport (Muskegon County) is a home rule village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, parks and recreation, planning and zoning and general administrative services.

#### 2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

#### 3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Cont.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on streets classified as local streets.

#### 4. Assets, Liabilities, and Net Assets or Equity

#### a. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

The Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 4. Assets, Liabilities, and Net Assets or Equity-Continued

#### b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied on July 1 and are payable through September 14. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Collections of these taxes are accounted for in the General Fund. Village property tax revenues are recognized in the period for which they are levied.

The Village is permitted by law to levy taxes up to 12.00 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and 5.0 mills for the payment of principal and interest on long-term debt subject to a vote of the Village residents. The tax rate to finance general government services for the year ended March 31, 2008 was 5.5000 mills.

#### c. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straightline method over the following useful lives:

Assets	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	20-40
Land improvements	15-30
Equipment	5-10

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- 4. Assets, Liabilities, and Net Assets or Equity-Continued
- d. Compensated Absences

Village employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation or sick leave pay does not accumulate past March 31 of each fiscal year. The pro rata portion of unused sick leave or vacation time is paid to employees at the time of termination or retirement. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

#### e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

#### f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

#### NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 1. Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 15, the Village Council submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Village Council is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

- 1. Budgetary Information-Continued
- e. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the General Fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2008.

#### 2. Risk Management

The Village of Fruitport is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to full-time employees. The Village has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents.). Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These pools are to provide for joint and cooperative action common to each participating municipal corporation for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

#### NOTE C - DEPOSITS

The deposits are in several financial institutions and are carried at cost; the deposits are composed of checking accounts, money market and savings accounts.

At March 31, 2008, the Village's carrying amount of deposits was \$492,753 and the bank balance was \$502,108. Of the bank balance \$372,461 was covered by federal depository insurance, the remainder being uninsured.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE D-CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance			Balance
Governmental Activities	April 1, 2007	Additions	<b>Deductions</b>	March 31, 2008
Capital assets, not being depreciated:	_			
Land	\$ 55,429	\$ -	\$ -	\$ 55,429
Total capital assets,	<del></del>		·	Ψ <u>υυ, :2&gt;</u>
not being depreciated	_55,429	_	_	_55,429
not boing depressated				33,427
Capital assets, being depreciated:				
Buildings	377,173	_	_	377,173
Land improvements	156,822	2,626	_	159,448
Equipment Equipment	306,421	2,020	-	306,421
Equipment	300,421	<del></del>		300,421
Total capital assets, being depreciate	d 840,416	2,626		843,042
Total capital assets, being depreciate	u 840,410	2,020	-	043,042
Less accumulated depreciation for:				
•	37,637	9,429		47.000
Buildings	•	,	-	47,066
Land improvements	56,934	9,425	-	66,359
Equipment	208,279	18,305	_ <del>-</del>	<u>226,584</u>
Total accumulated depreciation	302,850	37,159	-	340,009
	202,000			
Total capital assets,				
being depreciated, net	537,566	(34,533)	_	503,033
being depreciated, not		(0 1,000)		<u> </u>
Capital Assets, net	\$ <u>592,995</u>	\$ <u>(34,533</u> )	\$ <u>-</u>	\$ 558,462
-				
Government activities:				
Depreciation				
Depreciation expense was charged	d to functions as t	follows:		
General government				\$ 2,249
Recreation and cultural				13,061
Public works				21,849
				\$ <u>37,159</u>

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2008, as follows:

	Interfund		Interfund
<u>Fund</u>	Receivable	<u>Fund</u>	<u>Payable</u>
General	\$ 5,853	Major Street Fund	\$ 4,379
		Local Street Fund	1,474
	\$ <u>5,853</u>		\$ <u>5,853</u>

#### NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been reported on a functional basis. This is the same basis for which budgets have been legally adopted and amended.

During the year ended March 31, 2008, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total <u>Appropriations</u>	Actual Expenditures	Budget <u>Variance</u>
General Fund Recreation - parks Local street fund	\$ 27,547	\$ 39,198	\$ 11,651
Professional services	3,300	18,141	14,841

#### NOTE G - BUILDING INSPECTION DEPARTMENT

The Village of Fruitport is responsible for complying with the State Construction Code Act. This Act was amended by Public Act 245 of 1999 which became effective on January 1, 2000. Section 22 of Public Act 245 requires that the legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency under this act, which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including, without limitation, those services and acts as, in case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008

#### NOTE G - BUILDING INSPECTION DEPARTMENT-CONTINUED

occupancy, and, in case of a board of appeals, hearing appeals in accordance with this act. The legislative body of a governmental subdivision shall only use fees generated under this section for the operation of the enforcing agency and shall not use the fees for any other purpose.

The Village of Fruitport meets the Michigan Department of Treasury criteria to account for these activities in the General Fund (ie. not establishing a separate Special Revenue Fund) namely, that the fee structure is not intended to recover the full cost of the enforcing agency and the Village has the ability to track the full costs and revenues of the enforcing agency without creating a separate fund. The following is a schedule of the revenues and expenditures associated with the building inspection department:

Village of Fruitport, Michigan Building Inspection Department April 1, 2007-March 31, 2008

Revenue	\$ 926
Expenses Contracted and professional services	938
Supplies and other Administration	93
TOTAL EXPENSES	<u>1,031</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(105)</u>

#### NOTE H - INTERFUND OPERATING TRANSFERS

Details of interfund operating transfers at March 31, 2008 are as follows:

	Operating		Operating
<u>Fund</u>	Transfers In	<u>Fund</u>	Transfers Out
Local Street Fund	\$ 105,000	General Fund	\$ 105,000

SUPPLEMENTAL INFORMATION

## Village of Fruitport, Michigan Budgetary Comparison Schedule GENERAL FUND

Year ended March 31, 2008

				Variance with final
	***************************************	Amounts		Budget - Favorable
	<u>Original</u>	Final	Actual	(Unfavorable)
Revenues				
Taxes	\$ 164,498	\$ 164,498	\$ 163,635	\$ (863)
Licenses and permits	7,000	7,000	7,945	945
State shared revenue	93,000	93,000	92,557	(443)
Charges for services	53,640	53,640	53,367	(273)
Interest	3,500	3,500	7,168	3,668
Equipment rentals	35,000	35,000	51,937	16,937
Other revenue	12,137	12,137	15,673	<u>3,536</u>
Total Revenues	368,775	368,775	392,282	23,507
EXPENDITURES				
Legislative				
Village council	27,893	27,893	12.998	14,895
Total legislative	27,893	27,893	12,998	14,895
General government				
President	3,176	3,176	2,146	1,030
Election	-	-	-	-
Professional fees	16,000	16,000	6,026	9,974
Clerk	8,533	8,533	7,463	1,070
Treasurer	8,930	8,930	7,956	974
Building and grounds	3,500	_3,500	<u>705</u>	2,795
Total general government	40,139	40,139	24,296	15,843
Public safety				
Law enforcement	1,100	1,100	926	174
Protective inspections	2,000	2,000	<u>938</u>	<u>1,062</u>
Total public safety	3,100	3,100	1,864	1,236
Public works				
Department of public works	94,156	94,156	79,579	14,577
Waste collection	52,365	52.365	51,986	379
Street lighting	37,000	37,000	34,267	2,733
Maintenance	28,500	28,500	9,562	18,938
Total public works	212,021	212,021	175,394	36,627

## Village of Fruitport, Michigan Budgetary Comparison Schedule GENERAL FUND-CONTINUED

## Year ended March 31, 2008

2 442		, <b>-</b> 000		
	<u>Budgeted</u> Original	Variance with final Budget - Favorable (Unfavorable)		
Recreational and cultural	Original	<u>Final</u>	Actual	(Olliavorable)
			• • • • •	
Recreation - parks	27,547	27,547	39,198	(11,651)
Cultural	2,000	2,000	-	2,000
Total recreational and cultural	\$ 29,547	\$ 29,547	\$ 39,198	\$ (9,651)
Other				
Insurance and bonds	18,000	18,000	9,683	8,317
Total other	18,000	18,000	9,683	8,317
Capital Outlay				
General	49,400	<u>49,400</u>	2,626	46,774
Operating transfers out	105,000	105,000	105,000	<del></del> _
TOTAL EXPENDITURES	\$ <u>485,100</u>	\$ <u>485,100</u>	\$ <u>371,059</u>	\$ <u>114,041</u>

## Village of Fruitport, Michigan Budgetary Comparison Schedule MAJOR STREET FUND

## Year ended March 31, 2008

i cai ci	ilucu Maich 3	1, 2008		
	Budgeted Original	<u>Amounts</u> Final	Actual	Variance with final Budget - Favorable (Unfavorable)
Revenues	Original	<u> Finai</u>	Actual	Comavorablej
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 71,800	\$ 71,800	\$ 78,221	\$ 6,421
Interest earnings	900	900	2,338	1,438
Other revenue	-	-	3,229	3,229
Other revenue				
TOTAL REVENUES	72,700	72,700	83,788	11,088
Expenditures				
Construction, roads, streets and bridges				
Project cost	14,048	14,048	-	14,048
Maintenance				
Salaries and wages	23,000	29,000	27,104	1,896
Other fringe benefits	1,860	2,460	2,150	310
Operating supplies	12,200	12,200	5,216	6,984
Rentals	20,000	33,500	31,725	1,775
Professional services	43,253	23,153	4,133	19,020
Traffic services				
Repairs and maintenance	2,500	2,500	<u>952</u>	<u>1,548</u>
TOTAL EXPENDITURES	116,861	116,861	71,280	<u>45,581</u>
EXCESS OF REVENUES C	VER			
(UNDER) EXPENDITURES	5 (44,161)	(44,161)	12,508	56,669
Other financing sources				
Operating transfers in				
EXCESS OF REVENUES A OTHER SOURCES OVER	ND			
(UNDER) EXPENDITURES	5 (44,161)	(44,161)	12,508	56,669
Fund balance - April 1	107,919	107,919	107,919	
Fund balance - March 31	\$ <u>63,758</u>	\$ <u>63,758</u>	\$ <u>120,427</u>	\$ <u>56,669</u>

## Village of Fruitport, Michigan Budgetary Comparison Schedule LOCAL STREET FUND

Year ended March 31, 2008

				Variance with final
	<b>Budgeted Amounts</b>			Budget - Favorable
	Original	<u>Final</u>	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 28,605	\$ 28,605	\$ 31,200	\$ 2,595
Interest earnings	600	600	467	(133)
Other revenue			_1,720	1,720
				<del></del>
TOTAL REVENUES	29,205	29,205	33,387	4,182
Expenditures				
Construction				
Street improvements	-	-	-	_
Maintenance				
Salaries and wages	18,000	18,000	13,318	4,682
Other fringe benefits	1,477	1,477	1,046	431
Operating supplies	7,650	2,850	2,416	434
Repairs and maintenance	129,464	129,464	114,424	15,040
Rentals	15,000	23,000	20,212	2,788
Professional services	6,500	3,300	<u> 18,141</u>	<u>(14,841</u> )
TOTAL EXPENDITURES	<u>178,091</u>	178,091	169,557	<u>8,534</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES		(148,886)	(136,170)	12,716
(ONDER) EM ENDITORES	(140,000)	(140,000)	(130,170)	12,710
Other financing sources				
Operating transfers in	105,000	105,000	105,000	_
operating transfers in	100,000	100,000	105,000	
EXCESS OF REVENUES A	ND			
OTHER SOURCES OVER				
(UNDER) EXPENDITURES	(43,886)	(43,886)	(31,170)	12,716
Fund balance - April 1	_58,475	_58,475	_58,475	-
•				
Fund balance - March 31	\$ <u>14,589</u>	\$ <u>14,589</u>	\$ <u>27,305</u>	\$ <u>12,716</u>

#### CALVIN D. MEEUSEN, C.P.A., PLLC

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June 3, 2008

Members of the Village Council Village of Fruitport, Michigan

In connection with my examination of the financial statements of the Village of Fruitport as of March 31, 2008, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Fruitport for the year ended March 31, 2008 and have issued my report thereon dated June 3, 2008. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Fruitport to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Village of Fruitport is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole.

However, my study and evaluation disclosed that the internal accounting controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Fruitport may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level audit risk associated with this situation.

A budget is required by the State Constitution and by State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Council. Any amendment to the adopted budget should be made no later than the last day of the fiscal year and any transfer of monies between funds, except those authorized by statute, should be held to an absolute minimum and should be authorized by resolution of the Village and recorded in the Council minutes.

In conclusion, I wish to state that all of the comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss the above comments and recommendations.

Respectfully submitted,

Melusew C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC